

# **CSRS Mid-Career/ Pre-Retirement Seminar Handbook**

## **Civil Service Retirement System (CSRS & CSRS-Offset)**



**Third Edition  
July 2002**

**Published by:  
Federal Aviation Administration  
Office of Employee Relations and Benefits (AHL-100)  
800 Independence Avenue SW  
Washington, DC 20591**

# INTRODUCTION

This handbook on the Civil Service Retirement System was created for Federal Aviation Administration (FAA) employees and will provide information on your retirement system and benefits to help you make informed decisions regarding retirement. The contents are current as of the date created, however, will be updated periodically to reflect changes in legislation, regulations, policy and procedures.

## **Civil Service Retirement System (CSRS)**

The CSRS originated in 1920 as a defined benefit, contributory retirement system with over 4,000 employees covered. Over the years the CSRS has had numerous changes. Retirement benefits are now financed by both employee and Government contributions and provide benefits based on length of service and average salary over the highest three years of service. You currently contribute 7.0% of your basic salary into the retirement fund (7.5% for law enforcement officers – Federal Air Marshals), plus 1.45% Medicare tax. Social Security taxes are not withheld from your salary.

If you are covered by CSRS Offset, you are contributing .8% into the CSRS retirement fund, plus 6.2% in Social Security taxes. You are covered by the CSRS Offset system if you were vested (had 5 years of potentially creditable civilian service) in CSRS and had a break in service of over one year. Due to the Social Security Amendments Act of 1983, you are mandatorily covered by Social Security. Your benefits are computed the same as CSRS with certain exceptions as stated throughout this handbook.

CSRS employees may participate in two savings programs: Thrift Savings Plan (TSP) and Voluntary Contributions. You may contribute up to 8% (2003) of your basic pay into the TSP, a tax deferred program (no matching contribution from the government). You may also make voluntary contributions into the retirement fund, (not tax deferred), not to exceed 10% of your basic pay over your full career. Both of these programs are voluntary, and provide a means to save in addition to the your annuity.

As an employee, if eligible you may enroll in the Federal Employees Health Benefits (FEHB) Program and the Federal Employees' Group Life Insurance (FEGLI) Program. Coverage under these programs may continue into retirement. However, there are requirements that must be met and decisions that should be considered...Will I move when I retire? How much life insurance do I need to continue when I retire? All of these questions and many more are critical to you in your career and retirement.

Certain life events such as marriage, birth or acquisition of a child and divorce may mean that you need to reexamine your benefit needs. If you have a change in marital or family status, move to another region within FAA, or called to perform active military service, contact your servicing Human Resource Management Division (HRMD). There are time limits on your opportunity to make changes in your benefits when you experience a life event.

This booklet is not meant to provide all the information about your benefits and entitlements. You may need to contact legal or financial advisors to help you make important decisions. Our objective is to help you realize the significance of thinking through and planning for this important stage of your life...retirement.

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## **CSRS Retirement Considerations**

- **Determine when you are eligible to retire.**
- **Determine the factors that affect your annuity computation.**
- **Decide whether to make a deposit/redeposit for civilian service or to make a military deposit for active duty performed on/after January 1, 1957. Determine the effect on your annuity if you chose not to make the payment. How do you make the deposit?**
- **Decide about survivor benefits. What are the benefits to your spouse? What are your options? How much will your annuity be reduced to provide the benefit? What are the consequences of not electing survivor benefits?**
- **Make decisions regarding health and life insurance. When can you make changes to your insurance? Can you make changes after retirement? How much life insurance do you really need after retirement? What are the eligibility requirements to continue these benefits? Costs? How does Medicare fit in?**
- **Be aware of the most advantageous time to begin the retirement application process? How do you apply for retirement? How much will your annuity be and when will you receive the first check?**
- **Determine your eligibility for Social Security benefits. How do you apply? How is the benefit computed? Does your Federal annuity affect your Social Security benefit?**
- **If enrolled in TSP, decide when and how to receive your TSP monies. How do you withdraw the money in your TSP account? What are your options? What are the tax consequences?**

**NOTIFICATION OF PERSONNEL**  
**ACTION, SF-50**

# RETIREMENT ELIGIBILITY

You must have at least 5 years of creditable civilian service to meet the minimum service requirement for retirement. In addition, you must be working in a position covered by CSRS for at least one year out of the last two years preceding retirement.

Type of Retirement	Age	Service
Optional	55	30
	60	20
	62	5
Early Optional - Voluntary	50	20*
	Any	25*
Air Traffic Controllers (ATC)	50	20
	Any	25
Law Enforcement Officers (LEO)	50	20
Discontinued Service - Involuntary	50	20*
	Any	25*
Disability	Any	5
Deferred	62	5
Mandatory:		
Law Enforcement Officers**	57	20
Air Traffic Controllers***	56	20

\* Reduction of 1/6 of 1% for each full month (2% per year) you are under age 55.

\*\* Law Enforcement Officers must be separated on the last day of the month in which he/she completes 20 years of LEO covered service, even if over the mandatory retirement age (50).

\*\*\* Air Traffic Controllers must be separated from the service on the last day of the month in which he/she reaches age 56 or if over age 56 upon meeting the age and service requirements for an optional annuity (if serving in an approved ATC position on November 12, 2001), whichever occurs later. See your servicing HRMD for more information. The following categories of ATCs are automatically exempt from mandatory separation:

ATCs who were first appointed by the Department of Transportation before May 16, 1972;

ATCs who were first appointed by the Department of Defense before September 12, 1980;

Flight service station specialists who were first appointed before January 1, 1987.

## CREDITABLE CIVILIAN SERVICE

- Normally, full credit is allowed for all time elapsing between the date of appointment and the date of separation.
- National Guard Technician and Nurse Cadet Service.
- Leave Without Pay (LWOP) of 6 months or less in a calendar year is fully creditable.
- All time while receiving Workers' Compensation benefits is fully creditable as long as you are eventually restored to Federal employment.
- Part-time work schedule receives full-time credit for both eligibility and computation purposes, if performed prior to April 7, 1986. Part-time performed on or after April 7, 1986 is fully creditable for eligibility purposes, however, the annuity will be prorated.
- Intermittent (sometimes referred to as when actually employed -- WAE) work schedule receives credit for the days actually worked.
- Breaks in service of up to 3 days causes no loss of time.
- Deposit (non-deduction) service is fully creditable for eligibility. However, unpaid deposit service performed before October 1, 1982 will result in your annuity being reduced by 10% of the amount owed. Unpaid deposit service performed on or after October 1, 1982 is not used in the computation of your annuity.
- Redeposit service is fully creditable for eligibility. However, unpaid redeposit service ending before October 1, 1990 will result in your annuity being actuarially reduced (based on your age at retirement and the refund received). Unpaid redeposit service ending on or after October 1, 1990 is not used in the computation of your annuity.

# What is Deposit/Redeposit Service?

**Deposit Service (non-deduction service):** Deposit service is the period of service during which retirement contributions were not withheld from your salary (for example, temporary service).

**Cost of the deposit** is the amount of retirement contributions that would have been withheld from your salary had you been covered by the retirement system, plus interest. If the deposit is not paid prior to final adjudication of the retirement claim, then:

- If the service was prior to October 1, 1982, your annual annuity will be reduced by 10% of the total deposit owed.
- If the service was on or after October 1, 1982, the time counts towards meeting eligibility to retire, however, is not used in the annuity computation.

**Redeposit Service (refunded service):** Redeposit service is service in which you received a refund of your retirement contributions.

**Cost of the redeposit** is the refund paid to you plus interest.

- If the refunded service ended before October 1, 1990 and your non-disability annuity commences after December 1, 1990, and you do not make a redeposit, your annuity will be actuarially reduced.
- If the refunded service ended on or after October 1, 1990, you must pay the redeposit to receive credit for the service in the annuity computation.

## Interest Charged

**CSRS deposit and redeposit service** is subject to interest based on when the service was performed (for deposit service) or when you made application for the refund.

- Rate of 4% through December 31, 1947
- Rate of 3% from January 1, 1948 through December 31, 1984
- A variable interest rate thereafter, compounded annually.

Variable Interest Rates					
1985	--	13.0%	1995	--	7.0%
1986	--	11.125%	1996	--	6.875%
1987	--	9.0%	1997	--	6.875%
1988	--	8.375%	1998	--	6.750%
1989	--	9.125%	1999	--	5.750%
1990	--	8.750%	2000	--	5.875%
1991	--	8.625%	2001	--	6.375%
1993	--	7.125%	2002	--	5.5%
1994	--	6.25%	2003	--	5.0%

**Air Traffic Controllers:** If you are retiring under the ATC special retirement provisions (age 50 with 20 years of covered ATC service or any age with 25 years of covered ATC service), and had a period of **refunded ATC service** that ended before October 1, 1990, for which no redeposit has been paid, it is treated as all other CSRS pre-October 1, 1990, refunded service. The refunded service is creditable and you will be guaranteed 50% minimum annuity, however, your annuity will be actuarially reduced. Unpaid refunded service ending on or after October 1, 1990 and refunded non-ATC service is **not creditable** in the computation of your annuity.

## How to Compute the Actuarial Reduction for Unpaid CSRS Redeposits

Actuarial, or reduction, factors are assigned based on your age at the time of retirement. The amount of the redeposit due, including interest, is divided by the actuarial factor. The remainder is rounded up and equals the monthly reduction in the annuity.

$$\frac{\text{Redeposit Owed}}{\text{Actuarial Factor}} = \text{Monthly Reduction}$$

Example: An employee retires in 2002, age 56, who owes \$8,500 redeposit. The employee would have a monthly reduction of \$41.66 (rounded to \$42).

$$\frac{\$8,500}{206.6} = \$41.66 \text{ or } \$42$$

Actuarial Factors CSRS			
AGE AT RETIREMENT REDUCTION FACTOR		AGE AT RETIREMENT REDUCTION FACTOR	
40	280.4	66	157.7
41	276.4	67	153.0
42	272.7	68	148.1
43	268.8	69	143.2
44	264.1	70	138.3
45	259.0	71	133.4
46	254.0	72	128.6
47	249.3	73	123.5
48	244.8	74	118.4
49	239.3	75	113.1
50	233.8	76	107.9
51	229.5	77	102.6
52	225.4	78	97.9
53	221.0	79	93.4
54	216.2	80	88.5
55	211.4	81	83.4
56	206.6	82	78.4
57	201.9	83	73.8
58	197.2	84	69.4
59	192.5	85	64.6
60	187.9	86	60.3
61	183.1	87	57.1
62	177.9	88	54.6
63	172.9	89	51.9
64	167.8	90	48.7
65	162.7		

## **Procedures to Make a Civilian Service Deposit/Redeposit**

- 1.** Contact your servicing personnel office or visit OPM's website to obtain a SF 2803, Application to Make Deposit or Redeposit for Civilian Service.
- 2.** Complete the front of the SF 2803 and return the application to your personnel office.
- 3.** Your personnel office will complete the back of the SF 2803 and certify the application. The Agency Checklist for a CSRS Service Credit Application and the completed SF 2803 will be forwarded to the Office of Personnel Management (OPM), Retirement Operations Center, Boyers, PA 16017.
- 4.** OPM will send you a statement reflecting the total amount owed. Payments are made directly to OPM. You may submit payments a single lump sum or installments no smaller than \$50. OPM will also give you the option of debiting your checking or savings account monthly.
- 5.** When you make a full or partial payment, OPM will send you a receipt showing the new balance due (including updated interest or payment in full, as appropriate).

Notes: Payments to OPM cannot be paid through payroll deduction. Interest is applied to the unpaid balance on January 1 of each year. OPM will accept payment in full after separation, however, must be paid prior to final adjudication of the retirement application. It is very important to retain all payment receipts.

**APPLICATION TO MAKE DEPOSIT OR**  
**REDEPOSIT**

# CREDITABLE MILITARY SERVICE

All honorable active duty military service is potentially creditable.

**EXCEPTION:** Receipt of military retired pay usually bars the crediting of active duty military service unless the retired pay is:

1) Based on combat-connected disability retirement in the line of duty during a period of war;  
**OR**

2) Based on age and service in the reserves (under Chapter 67, Title 10, U.S. Code)

**NOTE:** Military retired pay may be waived and combined with civilian service at retirement.

## **Service Credit for Post – 1956 Military Service (Catch 62):**

- Military service performed prior to January 1, 1957, is automatically credited; no deposit required.
- Military service performed on or after January 1, 1957, is covered by Social Security and may be credited in your CSRS annuity.

## CSRS Optional Retirement (Not ATC Retirement):

If you were first employed under the retirement system prior to October 1, 1982, and you have not made a deposit of 7% of your base military pay for post-1956 military service, your annuity will be recomputed at age 62 **IF** you are **ELIGIBLE** for Social Security. If you will **NOT** be eligible for Social Security at age 62 or retirement (whichever is later), do NOT make the military deposit. In making the decision of whether to pay the military deposit, keep in mind, work after retirement may cause you to be eligible for Social Security at age 62.

CSRS employees first employed in a position covered by the retirement system on or after October 1, 1982, must make a deposit of 7% (7.25% - 1999; 7.4% - 2000) of military basic pay in order to receive credit for the post-1956 military service. No interest is charged if your deposit is made before your first interest accrual date (normally, before your third anniversary of employment) or was made prior to September 30, 1986. Contact your servicing personnel office if your military service interrupted a period of civilian service.

CSRS Air Traffic Controller Retirement: The guaranteed minimum annuity of 50% for ATC's retiring under the provisions of Public Law 92-297 will not be affected by unpaid post-1956 military deposits. However, if military service is used to exceed the 50% minimum (27 years or more), then payment of the deposit will allow for an annuity greater than 50% of the high-3. If a deposit is not made and military service is used to exceed the 50%, the reduced annuity at age 62 will not be less than the 50% guaranteed minimum.

Deposits for post-1956 military service must be made to the FAA prior to retirement. Deposits can be paid in a lump sum or installment payments (\$50 or more) or payroll deductions (\$25 or more).

## Examples – Post-1956 Military Deposit

**EXAMPLE 1: CSRS** employee first employed by the government prior to October 1, 1982, with a total of 30 years combined service (20 years civilian and 15 years active duty military), age 55, Hi-3 \$60,000. Of the 15 years military service, five (5) years was performed prior to January 1, 1957.

Annuity Computation: 35 years =  $0.6625 \times \$60,000 = \$39,750$

If at age 62, eligible for Social Security, re-computation will be:

25 years =  $0.4625 \times \$60,000 = \$27,750$

If you are not eligible for Social Security at age 62, no re-computation will be made.

**EXAMPLE 2: CSRS** Air Traffic Controller first employed by the government prior to October 1, 1982, with a total of 30 years combined service (20 years ATC “good time” and 10 years active duty military), age 50, Hi-3 \$60,000. Of the 10 years military service, five (5) years was performed prior to January 1, 1957.

Annuity Computation: 30 years =  $0.5625 \times \$60,000 = \$33,750$

If at age 62, eligible for Social Security, re-computation will be:

25 years =  $0.5000 \times \$60,000 = \$30,000$

The re-computation will never go below the 50% guaranteed minimum. If you are not eligible for Social Security at age 62, no re-computation will be made.

## Deciding Whether to Waive Military Retired Pay

**EXAMPLE 1: CSRS** employee age 60, Hi-3 \$60,000, 20 years civilian service, 20 years retired military service.

Annuity Computation if military retired pay is waived:

40 years =  $0.7625 \times \$60,000 = \$45,750$

Annuity Computation if military retired pay is not waived:

20 years =  $0.3625 \times \$60,000 = \$21,750$

20 years Military Retired Pay = ?

Compare combining (\$45,750) with your military retired pay to determine the greater.

**NOTES:** If military retired pay is waived, any post-1956 military service is subject to CSRS deposit rules. If waiver of military retired pay is necessary for retirement eligibility, the waiver is irrevocable. (*\*CSRS General Formula Computation Chart.*)

# Deposit for Post-1956 Military Service

Persons First Employed Under the Civil Service  
Retirement System Before October 1, 1982

If You Will Be:	Your Choices:	Effect on Your Annuity:
Eligible for Social Security benefits at the time of retirement	Paying deposit for post-1956 military service before retiring	All military service will be counted in computation of an annuity.
	Not paying deposit for post-1956 military service before retiring	All military service will count toward eligibility to retire.  Only pre-1957 military service will count in computation of an annuity.
Ineligible for Social Security benefits at the time of retirement, but become eligible after annuity has begun (at age 62)	Paying deposit for post-1956 military service before retiring	All military service will be credited for eligibility and computation when annuity begins <u>and</u> after becoming eligible for Social Security.
	Not paying deposit for post-1956 military service before retiring	All military service will be credited for eligibility and computation when annuity begins.  At age 62, (when you become eligible for Social Security), your annuity will be recomputed to eliminate credit for post-1956 military service.

### DECIDING WHETHER TO WAIVE MILITARY RETIRED PAY

With few exceptions, receipt of military retired pay means your military service cannot be credited for eligibility or annuity computation purposes unless you waive the military retired pay, effective the first day of your annuity.

### YOUR CHOICES CONCERNING WAIVING MILITARY RETIRED PAY

Type of Military Retired Pay	Your Choices:	Effect on Your Annuity
<p>Awarded on account of service-connected disability which was:</p> <p>1) Incurred in combat with an enemy of the United States</p> <p>or</p> <p>2) Caused by an instrument of war and incurred in line of duty during a period of war.</p>	→ → →	<p>The years of military service will be used in computing CSRS annuity.</p> <p>No need to waive military retired pay.</p>
Awarded under provisions of sections 12731 through 12739 of Chapter 67, Title 10, U.S. Code, which grants retired pay to members of reserve components who meet age and service requirements.	→ → →	
All other military retired pay.	Combining military service with CSRS annuity and waiving military retired pay	All creditable military service will be used in computing CSRS annuity.
	Not waiving military retired pay.	Military service used to compute your military retired pay will not count towards eligibility for, or computation of your CSRS annuity.

## ESTIMATED EARNINGS DURING MILITARY SERVICE

INSTRUCTIONS: Use a separate RI 20-97 for each branch of service. Attach DD214 or equivalent and any available records of pay or promotions. If you do not have a DD214 or equivalent, obtain a SF 180 from your personnel office and have your service verified before forwarding this form to the pay center. The pay center cannot provide estimated earnings unless verification of service is attached.

To:

Employee name (Last, First, Middle)	
Other names used	
Social Security Number	Date of birth
All military service numbers	
Branch of Service	

The uniformed services must provide estimated basic pay by Federal employees for military service after December 31, 1956, for the purpose of making a deposit to the Civil Service Retirement and Disability Fund for retirement credit. Please provide the estimated basic pay earned by the above named employee.

Signature of requester		Relationship to employee Employee is requester Other (Specify) Survivor		Date		
Active military service after December 31, 1956 (Dates indicated below must be based on DD 214 or equivalent certification) TO BE COMPLETED BY AUTHORIZED OFFICIAL				Estimated Earnings (Base Pay) (Do not provide estimated earnings for any period of service prior to January 1, 1957.)		
From (Mo,Dy,Yr)	To (Mo,Dy,Yr)	From (Mo,Dy,Yr)	To (Mo,Dy,Yr)	Rate of Basic Pay	Earnings	Type of Discharge
1. If period of service began before and ended after December 31, 1956, enter date service actually began. (Mo,Dy,Yr)				Lost time None      Number of Days _____  Inclusive dates –		
				From(Mo, Dy,Yr)	To(Mo,Dy, Yr)	From(Mo, Dy,Yr)
Signature of authorized official furnishing estimate				Date(Mo, Dy,Yr)	Telephone number (Including Area Code)	
Typed name of authorized official					Title of authorized official	

Requester's name and address (Return completed form to:)

RI 20-97

# Instructions for Completing Form RI 20-97

## “Estimated Earnings During Military Service”

1. Enter in the space provided, the name and address of the military finance center for your branch of service (*see next page*), and fill in other information requested. (If you have service in more than one branch of the military, you must request earnings for each period from the appropriate branch.)
2. List each period of active, honorable military service performed after 1956 for which a deposit may be made. **DO NOT LIST** periods of active duty for training performed while on leave from a Federal civilian position.
3. Attach DD 214, or equivalent verification for each period of service listed. If you do not have a DD 214, or equivalent, obtain a SF 180 from your personnel office to obtain verification of your service before forwarding the request for estimated earnings to the military finance center. **THE FINANCE CENTER CANNOT PROVIDE ESTIMATED EARNINGS UNLESS VERIFICATION OF THE SERVICE IS ATTACHED.**
4. Attach any available records of military pay and promotions during the periods of service which you listed.
5. Enter your own address in the box at the bottom of the form. The military finance center will enter the estimated earnings and return the form to you.

## Addresses for Verification of Military Service Estimated Earnings

Military earnings must be requested by completing OPM Form RI 20-97, "Estimated Earnings During Military Service." You must also attach all copies of the DD 214, or equivalent, to the RI 20-97. If you do not have a DD 214, or equivalent, you may request verification of military service by completing the SF 180 and forwarding the form to the appropriate military component. Military deposits must be paid in full to FAA before retirement. Mail or fax the RI 20-97 to the appropriate address/FAX number shown below:

### Army

DFAS-IN  
Attn: DFAS-TJMA  
8899 East 56<sup>th</sup> Street  
Indianapolis, IN 46249-0875  
Phone : 1-888-729-2769, (317) 510-2800  
FAX : (317) 510-5575

### Air Force

DFAS-PMJYB-DE  
6760 E. Irvington Place  
Denver, CO 80279-3000  
Phone: (303) 676-7408  
FAX: (303) 676-6218

### Navy

DFAS-Cleveland Center  
ATTN: PMMACB  
1240 E. 9<sup>th</sup> Street  
Cleveland, OH 44199-2055  
Phone: (216) 522-6545  
FAX : (216) 522-6924

### Marines

DFAS-KC  
Code- PMCRAF  
1500 E. 95<sup>th</sup> Street  
Kansas City, MO 64197-0001  
Phone: (816) 926-7652  
FAX: (816) 926-3129

### Coast Guard

Coast Guard Commanding Officer (SES)  
Coast Guard Human Resource Services Information Center  
444 S.E. Quincy Street  
Topeka, KS 66683-3591  
Phone: (785) 357-3550  
FAX: (785) 339-3784

### National Oceanic And Atmospheric Administration

National Oceanic and Atmospheric Adm.  
Department of Commerce  
Commissioned Personnel Office  
11400 Rockville Pike, Room 105  
Rockville, MD 20852

### Public Health Service

Public Health Service  
Division of Commissioned Personnel Compensation Branch  
Parklawn Building Room 4-50 5600 Fisher's Lane  
Rockville, MD 20857  
Phone : (301) 443-0064  
FAX: (301) 594-2711

# ANNUITY COMPUTATION

The amount of your annuity is determined by your:

- ⇒ Length of service, and
- ⇒ Your High-3 Average Salary

## DETERMINING YOUR LENGTH OF SERVICE

To determine your total length of service, for annuity computation purposes, add together:

1) creditable civilian service, 2) creditable military service, and 3) unused sick leave.

### EXAMPLE:

Civilian Service	28 years	1 month	3 days
Military Service	4 years	2 months	6 days
Unused Sick Leave	0 years	6 months	18 days
<b>Total Service</b>	<b>32 years</b>	<b>9 months</b>	<b>27 days</b>

Your annuity will be computed using 32 years and 9 months. The 27 days will be dropped (30 days equals 1 month).

The basic annuity computation formula for CSRS is:

1.5% X	high-3 X	1 <sup>st</sup> five years of service, plus
1.75% X	high-3 X	2 <sup>nd</sup> five years of service, plus
2.00% X	high-3 X	# years of service over 10

**EXAMPLE:** CSRS employee with 32 years and 9 months of service with a Hi-3 average salary of \$50,000.

1.50% X	\$50,000.00	=	\$750.00	X	5	=\$ 3,750.00
1.75% X	\$50,000.00	=	\$875.00	X	5	=\$ 4,375.00
2.00% X	\$50,000.00	=	\$1000.00	X	22.750*	=\$22,750.00

Annual Annuity = \$30,875.00

\*360 Day Factor Chart

Monthly Annuity: \$30,875.00 divided by 12 = \$2,572 (Rounded down)

## SHORT CUT FORMULA

Years of service minus 2 x 2 = Approximate percent of high-3. Example: 32 years of service =

32 - 2 x 2 = 60% of high-3. High-3 salary of \$50,000 = \$30,000 annuity.

## MAXIMUM ANNUITY

The maximum basic annuity under CSRS may not exceed 80% (based on 41 years and 11 months total service) of the high-3 average salary. Unused sick leave can increase the 80% maximum.

# High-3 Average Salary Computation

Retirement Date November 30, 2002

Time Salary			Rate of Pay	Time Factor	Earnings
Rate in Effect		Day			
Yr.	Mo.				
2000	99	<del>01</del> 13	<del>14</del> 15		
1999		12	01		
<hr/>					
	1	14	\$43,804	0.122222*	\$ 5,353.81
2004	00	<del>01</del> 12	<del>12</del> 13 43		
2000		01	15		
<hr/>					
	11	28	\$45,377	0.994444*	\$ 45,124.89
2002	06	<del>29</del> 30			
2001	01	13			
<hr/>					
1	5	17	\$47,238	1.463889*	\$ 69,151.19
2002	11	<del>30</del> 31			
2002	06	30			
<hr/>					
	5	1	\$50,516	0.419444*	\$ 21,188.63
			Equals 3 years	2.999**	\$140,818.52

\*360 Day Factor Chart

\*\*Total time rounded up equals 3 years.

Computation: \$140,818.52 divided by 3 years = \$46,939.51

High-3 average salary for the period December 1, 1999 through November 30, 2002.

(Your high-3 is calculated based on 3 consecutive years and may come from any period throughout your career. Your basic pay AND locality pay are used in the computation of the high-3 average salary. Availability pay received by Federal Air Marshals after September 11, 2001 is included in the basic pay for retirement purposes.)

## Air Traffic Controller Computation

The basic annuity computation formula for CSRS Air Traffic Controllers is the same as the basic CSRS formula. However, if the total service credit does not yield an annuity of at least 50% of the high-3, ATCs will receive a guaranteed minimum of 50%. Upon completing 27 years of service (civilian, military, and sick leave), ATCs will receive an annuity based on the general formula.

**EXAMPLE:** CSRS ATC age 50, 23 years and 4 months total service, which includes 638 hours unused sick leave, high-3 average \$60,000.00

Since total years of service is less than 26 years and 11 months, the retirement factor is .50000.

$$\$60,000 \times .500000 = \$30,000.00$$

## CSRS-Offset

Employees in this category are covered by CSRS and pay Social Security. The term "CSRS Offset" applies to the following:

- ⇒ Employees with a break in covered service exceeding 365 days who are rehired after December 31, 1983, and
- ⇒ Employees who have 5 or more years of creditable civilian service as of December 31, 1986 OR if there was a break in service ending after December 31, 1986, the employee must have 5 years of creditable service as of the break in service and at least 1 day of prior CSRS or Foreign Service Retirement System (FSRS) coverage.

Employees subject to the CSRS Offset plan contribute the normal CSRS contribution of 7.0% of pay. Of this contribution, 6.2% is transferred to the Social Security Administration. For 2002, the Social Security maximum taxable wage base is \$84,900. If you earn more than the wage base, the Social Security tax stops for the calendar year and the full 7.0% is contributed to the CSRS fund.

The annuity of a CSRS Offset employee is computed in the same manner as those covered under CSRS only. However, the annuity is reduced (offset) when you become eligible for Social Security. The offset is applied when the basic requirements for Social Security are met (usually at age 62), even if you do not apply for Social Security. If you are not entitled to Social Security at age 62, there is no offset until or unless you later become entitled to Social Security.

The amount of the offset is the **lesser** of:

1. The amount of the Social Security benefit attributable to your service after December 31, 1983, covered under the interim CSRS provisions or the CSRS Offset provisions; or

2. The amount obtained by multiplying the following fraction by the Social Security benefit to which you are entitled at the time your CSRS annuity begins:

$$\frac{\text{Total Years of Offset Service}}{40}$$

**EXAMPLE:** Age 55, 30 years total service, 6 are Offset years; Social Security benefits at age 62 is \$500; Hi-3 average salary \$30,000.

$$\text{CSRS Annuity 30 Years} = 0.5625 \times \$30,000 = \$16,875$$

$$\$16,875 / 12 = \$1,406$$

1. The Social Security Administration computation shows that \$100 of the Social Security benefit is attributable to the Offset service.
2. Six (6) years of CSRS Offset service divided by 40 =  $0.15 \times \$500 = \$75$
3. Determine the lesser of 1 or 2 above. In this example, the CSRS annuity would be offset by \$75 per month beginning at age 62.

CSRS Annuity	\$1,406
Less Offset	<u>-75</u>
Total CSRS Annuity	\$1,331 (age 62)
Social Security Benefit	<u>+500</u>
Total Monthly Benefit	\$1,831 (age 62)

## Annuity Reduction – Under Age

If you retire on a discontinued service retirement, (involuntarily separated); or you retire because of a major RIF or major re-organization (early-out), a reduction may be applied to your annuity. The reduction is one-sixth of 1% for each full month (2% a year) you are under age 55. This reduction does not apply to disability retirements or ATCs who retire under the provisions of Public Law 92-297.

**EXAMPLE:** Employee age 52 years and 5 months, Hi-3 average salary \$50,000, 20 years and 6 months of total creditable service.

$$20 \text{ years } 6 \text{ months} = 0.3725 \times \$50,000 = \$18,625$$

Less Reduction of 5%

(2 years and 6 full months under age 55)

Age Reduction	\$ 931	
Basic Annuity		\$18,625
Less Reduction		<u>-931</u>
Reduced Annuity		\$17,694

# How Federal Annuities Are Taxed

You will not be taxed on that part of the annuity that represents your own retirement contributions; the rest is taxable. The Simplified General Rule applied to annuities commencing on or before December 31, 1997. A provision added to the Taxpayer Relief Act of 1997 created a new table for computing the tax-free amount if a survivor annuity is elected. The table is based on the combined ages of the annuitant and the person for whom the survivor annuity has been provided. This provision is effective with annuity start dates beginning after December 31, 1997. Retirees whose annuity started prior to December 31, 1997, continue to use the one-person table.

When you retire, you will receive a booklet from OPM called "Your Federal Retirement Benefits". In this booklet you will be provided with the amount of your total retirement contributions and the amount of retirement benefits you may claim as tax-free each month. The following tables should be used based on your individual case:

## Annuity Without a Survivor Benefit

<u>Age at Retirement</u>	<u># of Lifetime Payments</u>
55 and under	360
56 to 60	310
61 to 65	260
66 to 70	210
71 and over	160

## Annuity With a Survivor Benefit

<u>Combined Age of Annuitant</u>	<u>Number of Payments</u>
Not more than 110	410
111 to 120	360
121 to 130	310
131 to 140	260
141 and over	210

For disability annuitants, the annuity is fully taxed until you meet optional retirement requirements.

$$\frac{\text{Total Retirement Contributions}}{\text{Number of Lifetime Payments}} = \text{Monthly Tax Free Amount}$$

$$\text{Monthly Tax Free Amount} \times 12 = \text{Yearly Tax Free Amount}$$

It is not mandatory for you to have tax withheld from your monthly annuity. However, you must file an estimated return to the Internal Revenue Service (IRS) if less than 90% of the Federal income tax due during a year is withheld from your income. You will be liable for the full amount of the taxes when they are due, and may incur an additional interest penalty if sufficient taxes were neither withheld from your income or paid to the IRS in advance as estimated payments.

For more information on how Federal annuities are taxed, call 1-800-TAX-FORM and request IRS Publication 721, Tax Guide to U.S. Civil Service Retirement Benefits, or you can obtain a copy from the IRS website at <http://www.irs.gov>.

The following address [http://apps.opm.gov/tax\\_calc/withhold\\_calc/index.cfm](http://apps.opm.gov/tax_calc/withhold_calc/index.cfm) is a link to OPM's Tax calculator for annuitants to figure their monthly federal withholdings.

At the time OPM processes your retirement application, they will send you instructions on how to start, change, or stop your Federal income tax withholding using their toll-free automated telephone system. Federal income tax is withheld from your initial payment and will continue as though you are married claiming three withholding allowances – the rate required by law if you do not file an election to change the deduction.

## **State Income Tax Withholdings**

If you wish to have State tax withholdings from your annuity, you may contact OPM directly if your State participates in the withholding program administered by OPM. OPM is unable to make State tax withholdings for non-participating states. The following States participate with OPM:

Arkansas	Arizona	California	Colorado
Connecticut	Delaware	District of Columbia	Georgia
Idaho	Indiana	Iowa	Louisiana
Maine	Maryland	Michigan	Minnesota
Mississippi	Missouri	Montana	Nebraska
New Jersey	New Mexico	North Carolina	North Dakota
Ohio	Oklahoma	Oregon	Rhode Island
South Carolina	Utah	Vermont	Virginia
West Virginia	Wisconsin		

You must specify the monthly amount of State tax you want withheld. Deduction amounts must be in whole dollars. The minimum monthly amount OPM is able to withhold is \$5. Your State tax deductions will be reflected on notices of annuity adjustments mailed when payments change and will be included in your yearly statement (Form 1099R) used for income tax filing purposes.

## Cost of Living Adjustment (COLA)

Annual cost-of-living increases are based on the rise in the Consumer Price Index (CPI) computed by Department of Labor. The COLA is normally effective December 1 of each year, payable in the January 1 annuity check.

Your first COLA is prorated. You will receive 1/12 of the COLA for each month you are on the annuity rolls prior to the effective date of December 1. A month is credited only if the annuity commenced on or before the last day of the month. Your initial COLA increase will be prorated as follows:

Commencing Date of Annuity During Preceding Year	Amount of COLA Payable Effective in December
December	ALL
January	11/12
February	10/12
March	9/12
April	8/12
May	7/12
June	6/12
July	5/12
August	4/12
September	3/12
October	2/12
November	1/12

## Disability Retirement

To qualify for disability retirement benefits, you must meet the following definition of disabled:

You are unable to: 1) perform useful and efficient service in your current position or any other occupation for which you qualify; and 2) you have not declined any reasonable employment offer.

Your disability annuity is equal to the **higher of**:

- Earned basic annuity based on length of service up to date of disability **OR**
- The **lesser of**:
  1. 40% of your high-3 OR
  2. the annuity projected to age 60.

**EXAMPLE:** Employee age 43, 20 years service, Hi-3 average salary \$46,000.

Earned basic annuity (20 years of service)  $.3625 = \$16,675$

40% of high-3 = \$18,400

Annuity projected to age 60 (37 years)  $.7025 = \$32,315$

Employee is entitled to 40% computation (\$18,400).

## Voluntary Contributions

Voluntary contributions is similar to a savings account, however it is with OPM. It is a voluntary program in which you make contributions to the CSRS retirement fund. You may contribute up to 10% of your lifetime gross Federal earnings. The program is only available if you do not owe any deposits or redeposits. Voluntary contributions are not tax deferred; however the earnings are. You can receive a refund of your contributions and interest at any time or you can purchase an additional annuity at retirement. If you choose to purchase an additional annuity at retirement, for every \$100 you contributed, you will receive \$7 in an annual annuity, plus 20 cents additional for each full year over age 55.

**COMPUTATION OF ANUITY UNDER**  
**THE GENERAL FORMULA**  
**CHAPTER 50**

# SURVIVOR ELECTIONS/BENEFITS

When you retire you may elect:

- Full (55%) survivor annuity for current spouse
- Less than full with **notarized consent of spouse**
- No survivor annuity with **two notarized consents of spouse (FEHB)**
- Insurable interest survivor annuity (current spouse if a former spouse is entitled to a survivor annuity awarded by a qualified court order or other individual).

The amount you elect is called the base. Your survivor will receive 55% of the base. The cost to provide a survivor benefit is 2 ½% of the first \$3,600 of the selected base, plus 10% of any amount of the base over \$3,600. This reduction is applied to your annuity.

## **EXAMPLE 1:** Maximum Survivor Benefits

Assume your basic annuity is:				\$60,000
2 ½%	x	\$3,600	=	\$ 90
\$60,000	-	\$3,600	=	\$56,400
			x 10% =	<u>\$5,640</u>

Total Reduction for Survivor Benefit	\$5,730	
Your Annuity after Reduction		\$54,270

Survivor's Annuity:	55% x	\$60,000	=	\$33,000
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## **EXAMPLE 2:** Less than the Maximum Survivor Benefit

Assume your basic annuity is				\$60,000
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You designate \$8,000 as the base

2 ½%	of	\$3,600	=	\$ 90
\$8000	-	\$3,600	=	\$4,400
			x 10% =	<u>\$ 440</u>

Total Reduction for Survivor Benefit	\$ 530	
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Your Annuity after Reduction		\$59,470
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Spouse's Annuity:	55% x	\$8,000	=	\$ 4,400
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If you elect no survivor annuity or less than the full survivor annuity you may increase the amount within 18 months after retirement. The additional reduction in annuity plus interest will be retroactive to your retirement date.

CSRS retirees must leave a minimum of \$1.00 per month survivor benefit for your spouse to continue health benefits coverage upon your death. When completing your retirement application, if you choose this option, your base would be \$22.

The spouse's survivor annuity is for life unless the spouse remarries before age 55 (exception – if you were married for at least 30 years, the survivor annuity would continue even upon remarriage before age 55).

## **Termination of Marriage After Retirement**

If your marriage terminates after retirement (death or divorce), your full annuity will be restored eliminating the survivor annuity reduction. Contact OPM.

## **Marriage After Retirement**

If you marry or remarry after retirement you may elect a survivor annuity within 2 years of the marriage. Your new spouse will be eligible for the survivor benefit if you are married for 9 months prior to your death or if a child is born of that marriage. A retroactive reduction, plus interest, will be required to make this election.

## **Survivor Annuity for Former Spouses**

You may elect a survivor annuity for a former spouse or a former spouse may be entitled to benefits as a result of a court order. In order for the court awarded benefits to be payable, the following requirements must **all** be met:

- ⇒ Decree or order was issued by a court in the U.S. or its territories;
- ⇒ Divorce took place on or after May 7, 1985;
- ⇒ Former spouse must not have remarried before age 55 (unless married at least 30 years);
- ⇒ Your marriage must have lasted at least 9 months; and
- ⇒ You must have had 18 months of retirement covered service.

If there is a court awarded benefit for a former spouse and you have a current spouse, priority will be given to the former spouse. A former spouse loses entitlement to survivor annuity upon remarriage before age 55 (unless married at least 30 years) or at death.

## Survivor Benefits – Children

The law provides for a survivor annuity to be paid to eligible children of a deceased employee or retiree. No reduction in your annuity will be made for this benefit.

To qualify, children must be unmarried and be:

- Under age 18 or
- Between ages 18 and 22 if a full time student, or
- Disabled and became disabled prior to age 18.

The amount of the survivor annuity changes every year. The 2002 cost is shown below.

When the child has a living parent who was married to the employee or retiree, the benefit payable to that child is the lesser of:
{ \$384 } per month per child; or { \$1,152 } per month divided by the number of eligible children (4 or more children).
When the child has no living parent who was married to the employee or retiree, the benefit payable to that child is the lesser of:
{ \$461 } per month per child; or { \$1,383 } per month divided by the number of eligible children (4 or more children).

Under CSRS Offset, the children's survivor annuity will be offset by the amount payable from Social Security. Frequently, the survivor annuity from OPM will be eliminated because the Social Security benefit is usually higher.

Survivor benefits for children end when one of the following events occurs: 1) marriage, 2) become age 18 (22 if full time student), 3) cease to be a full time student, or 4) disabled child recovers from disability.

# **Lump Sum Death Benefits**

Lump sum benefits are paid in accordance with your designated beneficiary forms. There are four possible forms that may affect you: TSP-3 for the Thrift Savings Plan; SF 2808 for the CSRS Retirement System; SF 2823 for Federal Employees' Group Life Insurance; and SF 1152 for Unpaid Compensation. If there are no designations on file, benefits will be paid in the order of precedence according to Federal statute. Lump sum benefits are not payable when there is an eligible survivor annuitant: spouse, former spouse, or children.

## **Order of Precedence Established under Federal Statute:**

1. Designated Beneficiary
2. Widow or widower
3. Child/Children in equal shares, with share of any deceased child distributed among that child's descendants
4. Parents in equal shares, or entire amount to the only surviving parent
5. Executor/Administrator of your estate
6. Next of kin as determined under the laws of the State in which the deceased lived

Note 1: This statutorily defined order is not superseded by the deceased employee's will.

Note 2: This order of precedence does not include stepchildren.

## Annuity with Insurable Interest

This option is available at retirement to both married and unmarried employees who are in good health. Survivor named must have insurable interest in your life (current spouse, blood or adoptive relative closer than first cousins, former spouse, fiancé/fiancée, or common-law marriage).

With this election, your annuity is reduced based on the difference in age between you and the person named. The reductions are as follows:

Age of Person Named in Relationship	Reduction in Annuity of Retiring Employee
Older, same age or less than 5 years younger	10%
5 but less than 10 years younger	15%
10 but less than 15 years younger	20%
15 but less than 20 years younger	25%
20 but less than 25 years younger	30%
25 but less than 30 years younger	35%
30 or more years younger	40%

### EXAMPLE:

Your Basic Annuity	=	\$60,000
Insurable interest is 8 years younger than you.		
Computation of reduction –		
(15% x \$60,000 = \$9,000)	-	<u>\$ 9,000</u>
Annuity after Reduction	=	\$51,000

CSRS Survivor's Annuity = 55% of reduced annuity = \$28,050

## Former Spouse and Current Spouse Reductions

If the person named for an insurable interest annuity is a current spouse, due to a court ordered survivor annuity for a former spouse, a second reduction will be computed.

<b>EXAMPLE:</b>	Your basic annuity	\$ 60,000
	Reduction for former spouse	\$ 5,730 (using prior example)
	Reduction for insurable interest	<u>\$ 9,000</u>
	Your Reduced Annuity	\$ 45,270

## Survivor Benefits – Death-In-Service

For a survivor annuity benefit to be payable, you must have:

- ✓ Completed at least 18 months of creditable civilian service; and
- ✓ Died while subject to CSRS deductions.

Your spouse must meet one of the following requirements:

- ✓ Must have been married to you for at least 9 months; or
- ✓ A child was born of the marriage; or
- ✓ Your death was accidental; and

There must not be a court order awarding the total survivor annuity to a former spouse.

Your survivor will receive 55% of an annuity computed as if you had retired on a disability retirement as of the date of death.

Air Traffic Controllers: If, at the date of death, you were age 50 or older and had at least 20 years of service as an air traffic controller, or you had at least 25 years of air traffic controller service, your spouse will receive 55% of an annuity computed under the 50% guaranteed minimum provisions.

CSRS Offset Survivor Benefits: Survivor benefits to the spouse of a deceased CSRS Offset employee are computed the same as under CSRS rules, unless the survivor becomes eligible for Social Security survivor benefits.

If Social Security benefits are payable, the CSRS Offset survivor annuity is reduced (offset) by the amount of the survivor Social Security benefit attributable to the period that you were under CSRS Offset.

### Military Service

If you are retired military, have not waived military retired pay, and die in service, your military service must be included in the computation of the survivor annuity, provided the necessary deposit, if any, has been made. However, your survivor may elect to exclude such military service from the survivor annuity computation. If you elected a military survivor benefit and the military service is used in the CSRS survivor annuity, OPM must reduce the CSRS survivor annuity by an amount equal to the military survivor benefit. The military survivor benefit will not be affected by your spouse's eligibility for a CSRS survivor annuity. For further information, contact your servicing personnel office.

## CSRS Death Benefits Summary

EMPLOYEE	FORMER EMPLOYEE	ANNUITANT (As Elected)
<p>1) Less than 21 years 11 months = 55% of the lesser of:</p> <ul style="list-style-type: none"> <li>▪ 40% of high-3 OR</li> <li>▪ regular annuity projected to age 60</li> </ul> <p>2) At least 21 years 11 months</p> <ul style="list-style-type: none"> <li>▪ 55% of earned annuity</li> </ul> <p>3) children's survivor annuity</p> <p>If surviving spouse is NOT eligible:</p> <p>Lump sum payable as designated on the beneficiary form (if not on file, by order of precedence)</p>	<p>Lump sum payable as designated on the beneficiary form (if not on file, by order of precedence)</p> <ol style="list-style-type: none"> <li>1) widow/widower</li> <li>2) child/children</li> <li>3) parent</li> <li>4) executor/administrator of estate</li> <li>5) next of kin</li> </ol> <p><b>Note:</b> This statutorily defined order is NOT superseded by the deceased employee's will.</p>	<p>1) 55% of unreduced annuity; or if elected with spouse's consent, less than maximum (55% of elected base), or no survivor benefit. Base can be no less than \$22 (spouse will receive \$12 a year).</p> <p><b>Caution:</b> Court order to provide former spouse a benefit might affect current spouse's survivor annuity.</p> <p>2) Insurable interest – 55% of reduced annuity</p> <p>3) children's survivor annuity</p> <p>If surviving spouse is NOT eligible: Lump sum payable as designated on the beneficiary form (if not on file, by order of precedence)</p>



# FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB) PROGRAM

The FEHB Program is paid for through employee and employer contributions and is intended to assist you and your eligible family members with expenses of illness and accident. It is a voluntary program that is available to all newly eligible employees (60 days to enroll). If you do not enroll during this initial 60-day opportunity, you must wait until the annual open season period or life event. Events permitting enrollment changes are listed in the Table of Permissible Events found on the SF 2809. To give you an example, the following is an excerpt from the table:

**Table of Permissible Changes in Enrollment (SF 2809/-1)**

	Events That Permit Enrollment or Change	Changes Permitted			Time Limits
Code	Event	From Not Enrolled to Enrolled	From Self Only to Self and Family*	From One Plan or Option to Another	When you must file SF 2809 with your Employing Office
<b>1 Employee</b>					
1A	Initial opportunity to enroll	Yes	N/A	N/A	Within 60 days after becoming eligible
1B	Open Season	Yes	Yes	Yes	As announced by OPM
1C	Change in family status; for example, marriage, birth of death of family member, adoption, legal separation, or divorce.	Yes	Yes	Yes	From 31 days before through 60 days after event.
<b>2 Annuitant</b>					
2A	Open Season	No	Yes	Yes	As announced by OPM

**Premium Conversion** – If you are enrolled in FEHB, you can take advantage of premium conversion. Premium conversion became available to Federal employees October 2000 and is a pre-tax arrangement. This means part of your salary that pays for your health insurance premium will become non-taxable. You save on Federal income tax and FICA taxes (Social Security and Medicare taxes). Your payroll office will automatically enroll you in premium conversion, however, you may waive premium conversion during the annual FEHB open season

or qualifying life event. What is a qualifying life event? As set by Department of Treasury regulations they are: 1) addition of a dependent, 2) birth or adoption of a child, 3) changes in entitlement to Medicare or Medicaid for you, your spouse, or dependent, 4) change in work site, 5) change in employment status (or that of your spouse) from full-time to part-time or reverse, 6) death of your spouse or dependent, 7) divorce or annulment, 8) loss of a dependent, 9) marriage, 10) significant change in the health coverage of you or your spouse related to your spouse's employment, 11) start or end of an unpaid leave of absence by you or your spouse, or 12) start or end of your spouse's employment.

The disadvantages in participating in premium conversion are 1) flexibility and 2) Social Security. If you participate in premium conversion, you cannot cancel or change to self only coverage at any time; you must wait for the annual open season or qualifying life event. If you pay Social Security taxes on your salary, then premium conversion may result in somewhat lower Social Security benefits; this mainly applies to employees covered by the Federal Employees Retirement System (FERS).

**Requirements for Continuing Enrollment into Retirement --** You may continue health benefits coverage into retirement, with no reduction in benefits, if you:

1. Retire on an immediate annuity, **AND**
2. Are enrolled (or covered as a family member) under the FEHB program for:
  - a. the 5 years of service immediately preceding retirement, **OR**
  - b. all service since first opportunity to enroll.

Coverage (including coverage as a family member) under the Uniformed Service Health Benefits Program, which includes TRICARE/CHAMPUS can be included to meet the 5 year requirement. However, you must be enrolled in the FEHB and coverage must be effective prior to retirement.

Annuitants pay the same premium as employees, and get the same benefits as employees, except under most circumstances are not permitted to enroll or re-enroll for coverage after retirement. The premium will be deducted from the monthly annuity check, if sufficient to cover the cost, otherwise direct payments may be made to OPM. **If you have family coverage, you MUST elect a survivor annuity (at least \$1.00 per month) in order for your spouse/children to continue health benefits after your death.**

If you do not meet the eligibility requirements to continue FEHB coverage into retirement (or you separate before becoming eligible for retirement), your benefits will terminate upon separation (coverage will continue for 31 days). You can convert to a nongroup health benefits contract or elect Temporary Continuation of Coverage (TCC).

### **Temporary Continuation of Coverage (TCC) --**

TCC is a feature of the FEHB Program. You and members of your family who lose their FEHB coverage because of a "qualifying event" may be eligible for TCC. The effective date of the TCC enrollment is the 32<sup>nd</sup> day after the event. Full premium is required (that is, both the employee and Government share of the premium) plus a 2 percent administrative fee. Administration of the TCC premium payments is maintained by the National Finance Center (NFC) in New Orleans, Louisiana. When TCC expires, you will be given the opportunity for a 31-day temporary extension of coverage and conversion to a private policy. TCC enrollment is not automatic; it's an elected benefit based on a qualifying event. Contact your servicing HRMD because of restricted time limits to enroll.

**Employees (separating) --** Separating employees, or those ineligible to continue FEHB into retirement, can continue TCC for up to 18 months after the date of separation. TCC is not available to employees who are involuntarily separated due to gross misconduct.

**Children (age 22) --** The qualifying events for children are as follows: marriage, reaching age 22, loss of status as stepchild, foster child, or recognized natural child, and in the case of children whose coverage has continued beyond age 22 because of their disability, recovering from the disability or becoming self-supporting. Children who lose coverage under their parents FEHB plan based on one of the above qualifying events can continue TCC for up to 36 months.

**Former Spouses --** The qualifying events are divorce and annulment of the marriage. Former spouses can continue TCC for up to 36 months. Certain former spouses may be eligible based on the spouse equity provisions. For further information, contact your servicing HRMD.

## MEDICARE

Medicare is our country's health insurance program for people age 65 or older, certain people with disabilities who are under 65, and people of any age who have permanent kidney failure. Part A has been paid for through Federal Insurance Contributions Act (FICA) taxes on wages while you are employed; 1.45% tax deduction from your earnings; therefore there is no premium.

Medicare consists of two parts. **Hospital Insurance**, "Part A"; **Medical Insurance**, "Part B".

Part A includes:

- Hospitalization
- Post Hospital Skilled Nursing Facility Care
- Home Health Care
- HOSPICE Care
- Blood

Part A does not cover 100% of these expenses. A graduated payment by number of days the care is required is applied. You would be responsible for the remainder. FEHB will cover some of the expenses, but you should ensure that you understand what is and isn't paid by Medicare and/or FEHB, by checking with local Medicare representatives and consulting your FEHB plan brochure or carrier representative.

Part B provides the following coverage:

- Doctor's Services
- Ambulance Services
- Outpatient Hospital Treatment
- X-rays

You are automatically eligible to enroll in Part B when you are eligible for Part A. However, Part B has a monthly premium (2002 rate is \$54.00 per month per person), which changes each January. If you fail to enroll in Part B at your first opportunity, there is a 10% penalty applied for each year following the year in which you become eligible. However, if you are a Federal employee covered by FEHB and continue to work past Medicare eligibility you will not be affected by the 10% increase.

## How to Enroll –

You have from 3 months before your 65<sup>th</sup> birthday through the end of the 3<sup>rd</sup> month following the month in which you reach 65 to sign up for Medicare Part B. If you do not enroll during this 7-month period there is a general enrollment period from January 1 through March 31 each year (penalty applies unless still employed). Coverage begins the following July.

## Medicare & FEHB Primary Payer Chart

<b>When Either You or Your Covered Spouse are Age 65 or over, Have Medicare and FEHB, and You are:</b>	<b>The Primary Payer is:</b>
An active employee with Federal government (including when you or a family member are eligible for Medicare solely because of a disability)	FEHB
An annuitant	Medicare
A reemployed annuitant with Federal government	FEHB, if position not excluded from FEHB (ask your servicing HRMD for more information)
Enrolled in Part B only, regardless of your employment status	Medicare, for Part B services
A former Federal employee receiving Workers' Compensation and the Office of Workers' Compensation has determined that you are unable to return to duty	Medicare, except for claims related to the Workers' Compensation injury or illness

  

<b>When You or a Covered Family Member have FEHB and:</b>	<b>The Primary Payer is:</b>
Are eligible for Medicare based on disability	Medicare, if you are an annuitant. FEHB, if you are an active employee.

# **FEDERAL EMPLOYEES' GROUP LIFE INSURANCE (FEGLI)**

Eligible employees may enroll in the FEGLI Program within the initial 31 day window...participation is voluntary. You are automatically covered for Basic Life unless you waive coverage. FEGLI is a group life insurance plan that provides term life insurance with no cash value or loan value. Premiums for FEGLI are deducted from your salary. The Government pays one-third of the cost of Basic Life, however, any Optional coverage you elect is fully paid by you based on your age. The amount of insurance you need should be based on your personal and family situation, savings and investment portfolio, and long and short-term plans (see the following worksheet for an estimate of how much life insurance you need). You may cancel or decrease your options at any time, however, keep in mind the FEGLI Program does not offer an annual open season like FEHB.

## **BASIC LIFE**

- Equal to your actual rate of annual basic pay rounded up to the next \$1,000, plus \$2,000, or \$10,000, whichever is greater.
- Extra benefit...Double life insurance benefits until age 36, decreasing at 10% per year until age 45, at which time the extra coverage will end.
- Accidental Death and Dismemberment (AD&D) coverage payable up to the Basic Life; not the Extra Benefit.

## **PLUS**

### **OPTION A – STANDARD**

- Coverage equal to \$10,000.
- AD&D coverage payable up to \$10,000.

### **OPTION B – ADDITIONAL**

- You may elect coverage equal to one, two, three, four, or five times your actual rate of annual basic pay (basic pay is rounded up to the next \$1,000).

### **OPTION C – FAMILY**

- Spouse -- \$5,000 life insurance coverage. You may elect one to five multiples of coverage.
- Each eligible dependent child -- \$2,500 life insurance coverage. You may elect one to five multiples of coverage.

# **LIFE INSURANCE WORKSHEET**

## How much life insurance do you need?

Deciding how much life insurance you need is a personal decision and only you can decide. However, OPM has created a worksheet which will help you in making your decision. Fill in the blanks to estimate your family needs.

1. Five times your annual income =	\$ _____ (1)
2. Annual expenses above and beyond daily living costs for you and your dependents = (e.g., tuition, care for a disabled child or parent)	+ _____ (2)
3. Emergency funds = (3 to 6 months of living expenses)	+ _____ (3)
4. Estimated amount for your funeral expenses = (U.S. average is \$5,000 to \$10,000)	+ _____ (4)
5. Total the estimate of your family's needs = (add lines 1 through 4)	+ _____ (5)
6. Your total liquid assets = (e.g., savings accounts, CDs, money market funds, existing life insurance)	- _____ (6)
7. Subtract line 6 from line 5 and enter the difference here:	= _____ (7)

The net result (line 7) is an estimate of the shortfall your family will have upon your death. Remember, this is an estimate. For a complete analysis of your needs, consult a financial planner. You should reevaluate your life insurance needs every few years.

## Requirements for Continuing Enrollment into Retirement

You are eligible to continue life insurance (not accidental death and dismemberment) into retirement if you:

- ◇ Retire on an immediate annuity,
- ◇ Are insured on the date of retirement, **AND**
- ◇ Have been covered for the 5 years of service immediately preceding retirement, or since your first opportunity to enroll.

### Post Retirement Coverage & Cost for Basic Insurance --

The reduction in post-retirement Basic life insurance coverage after age 65 depends upon an election you make at the time of retirement. Premiums are based on your Basic Life insurance value at retirement, not based on the reduced annuity amount. The election is made on the SF 2818, "Continuation of Life Insurance Coverage". You may elect:

**75% reduction** - At age 65, insurance reduces 2% per month until the amount reduces to 25% of the Basic coverage at the time of retirement. You will continue to pay for your basic coverage, until age 65. The monthly premium will be \$0.3358 per \$1,000 of coverage. Premiums cease after age 65.

**50% reduction** - Insurance will reduce 1% per month until the amount reduces to 50% of the Basic coverage at the time of retirement. The monthly premium before age 65 is \$0.9258 (\$0.59 per month per \$1,000 of insurance, plus \$0.3358 per \$1,000). The monthly premium after age 65 is \$0.59 of coverage.

**No reduction** - Remains at full value - does not reduce. The monthly premium before age 65 is \$2.3758 per \$1,000 (\$2.04 per month per \$1,000 of insurance, plus \$0.3358 per \$1,000). The monthly premium after age 65 is \$2.04 per \$1,000 of coverage.

For those employees who continue to work after reaching age 65, the insurance coverage and premiums remain the same as other active employees...based on your age.

**EXAMPLE:** Employee retiring with an annual salary of \$31,500; Basic Life Insurance rate will be \$34,000.

75% Reduction Election:	Rate Prior to Age 65:	\$ 11.42 per month
	Rate After Age 65:	\$ 0
	Amount of Insurance:	\$ 8,500
50% Reduction Election:	Rate Prior to Age 65:	\$ 31.48 per month
	Rate After Age 65:	\$ 20.06 per month
	Amount of Insurance:	\$17,000
No Reduction:	Rate Prior to Age 65:	\$ 80.78 per month
	Rate After Age 65:	\$ 69.36 per month
	Amount of Insurance:	\$34,000

**Option A coverage after retirement** – Cost continues up to age 65 at the same employee rate. There is no cost after age 65 and the amount of optional insurance begins to reduce 2% per month until the insurance reduces to \$2,500.

**Option B & C coverage after retirement** -- Retiring employees who have more than one multiple must elect either full reduction or no reduction for all multiples.

1) Full Reduction: Cost continues up to age 65 at the same rate as active employees. There is no cost after age 65 and the amount begins to reduce 2% per month until the amount has been reduced 100%. Insurance stops at 12:00 noon on the day before the 50<sup>th</sup> reduction; after that no benefits are payable upon the retiree's death. The annuitant may not change to No Reduction more than 30 days after he/she receives the first annuity check. An individual who does not make an election will automatically get Full Reduction.

2) No Reduction: Annuitant will continue to pay at the same rate as active employees. Coverage will not reduce when annuitant reaches age 65 and premiums will continue to be withheld from the annuity after age 65. The annuitant may change to Full Reduction at any time.

## Example -- FEGLI Elections at Retirement

Employee retiring at age 55 with an annual salary of \$31,500. Coverage at retirement – Basic, Option A – Standard, Option B 3x pay, Option C 1 multiple.

### Basic – Value = \$34,000

#### Options:

75% Reduction Election:	Rate Prior to Age 65:	\$ 11.42 per month
	Rate After Age 65:	\$ 0
	Amount of Insurance:	\$ 8,500
50% Reduction Election:	Rate Prior to Age 65:	\$ 31.48 per month
	Rate After Age 65:	\$ 20.06 per month
	Amount of Insurance:	\$17,000
No Reduction:	Rate Prior to Age 65:	\$ 80.78 per month
	Rate After Age 65:	\$ 69.36 per month
	Amount of Insurance:	\$34,000

### Option A – Value = \$10,000

Rate Prior to Age 60:	\$5.85 per month
Rate Increases (Age 60):	\$13.00 per month
Age 65 – no premium – value reduces to \$2,500	

### Option B 3 x Pay – Value = \$96,000

Rate Prior to Age 60:	\$64.52 per month
Rate Increases (Age 60):	\$145.63 per month

#### Options:

Age 65 – No Reduction – Value \$96,000 (\$64.52)  
Age 65 – Full Reduction – Value – zero – no premium

### Option C 1 Multiple – Value = \$5,000 spouse & \$2,500 each eligible child

Rate Prior to Age 60:	\$3.14 per month
Rate Increases (Age 60):	\$5.63 per month

#### Options:

Age 65 – No Reduction – Value same (\$6.50 per month)  
Age 70 Rate Increases - \$7.37 per month  
Age 65 – Full Reduction – Value – zero – no premium

# **COMPUTATION OF LIFE INSURANCE COVERAGE**

## **Assignment of FEGLI Coverage**

An assignment of FEGLI coverage is an irrevocable transfer of ownership of your coverage to one or more individual(s), corporation(s), or trustee for one of the following reasons:

1. To comply with a court order (for example, divorce decree)
2. For inheritance tax purposes
3. To obtain cash before death (called Viatical settlement – an exchange of life insurance for terminally ill patients who are diagnosed with a life expectancy of 24 months or less)
4. To pay off debts.

The assignment does not apply to Option C Family coverage. If you assign your coverage, you cannot cancel or reduce FEGLI coverage and your designation of beneficiary on file is void. The assignee(s) own your coverage therefore, may cancel or reduce coverage at any time and may designate a beneficiary. You continue to be the insured.

The viatical settlement agreement is only available as stated above to terminally ill employees. The insurance involved is 100% of Basic, Option A Standard, and Option B Additional. You will receive 60 to 85% of the face value. You will continue to pay the FEGLI premium and cannot cancel coverage.

### **FEGLI Living Benefit**

The FEGLI Living Benefit is available to terminally ill employees who have a life expectancy of 9 months or less. You can receive 100% of Basic or less than the full Basic in multiples of \$1,000. The percentage of your face value will be approximately 94% from the FEGLI program. Premium payments for Basic coverage end if a Living Benefit is elected.

*For more information on either of these programs, contact your servicing HRMD.*



# THRIFT SAVINGS PLAN WITHDRAWAL OPTIONS

As a CSRS employee, you are fully vested in your contributions. Upon separation from Federal employment, you have several withdrawal options.

- ◇ Leave your money in TSP.
- ◇ Transfer TSP account money to an IRA or other eligible retirement plan.
- ◇ Receive TSP account balance in a lump sum payment.
- ◇ Receive TSP account balance in equal monthly installments.
- ◇ Purchase a Life annuity through TSP (must have \$3,500 in account).

After you leave Federal service, the IRS requires that you begin to receive payments from your account by April 1 of the year following the year you reach age 70 ½. Your minimum distribution will be calculated based on your account balance and life expectancy.

## What are my TSP annuity options?

- Single life annuity, level or increasing payments
- Joint life with spouse, level or increasing payments
- Joint life with other, level payments

**Single Life Annuity** – An annuity that provides monthly payments only to you as long as you live.

**Joint Life Annuity** – An annuity that provides monthly payments to you while you and the person you name as your joint annuitant are alive. When either of you dies, monthly payments are made to the survivor for his/her lifetime. The amount of the payment to the survivor depends on whether you choose a 50% or 100% survivor annuity.

**50% survivor annuity** – The monthly payment to the survivor, whether the survivor is you or your joint annuitant, is half (50%) of the annuity payment made while both you and your joint annuitant were alive.

**100% survivor annuity** – The monthly payment to the survivor is the same amount as the annuity payment made while both you and your joint annuitant were alive. However, the monthly payment while you are both alive is generally less than if you select the 50% survivor annuity.

## Level and Increasing Payment Annuities –

**Level Payments** -- The amount of the monthly payment remains the same from year to year. Also, the survivor annuity (50% or 100%) remains the same as long as the survivor is alive.

**Increasing Payments** -- The monthly payment can change each year on the anniversary of the first annuity payment. The change is based on the change in the consumer price index (CPI). When annuity payments start, they are smaller than they would be if you had

selected level payments, but usually there is an annual increase in monthly payments. Increases cannot exceed 3% per year, but monthly payments cannot decrease, even if the CPI decreases. **Increasing payments cannot be combined with a joint life annuity when the joint annuitant is someone other than your spouse.**

#### **Two Additional Annuity Features –**

If you choose one of the following features, certain minimum amounts will be paid to the beneficiary that you name if you (and your joint annuitant, if applicable) die before the minimum amounts have been paid out. If you choose one of these features, your monthly payments will be less than they would have been if you had not chosen one.

**Cash Refund --** If you (and your joint annuitant, if applicable) die before an amount equal to the balance used to purchase your annuity has been paid out, the difference between the balance used to purchase your annuity and the sum of the monthly payments already made will be paid to your beneficiary in a lump sum.

**Ten-Year Certain --** If you die before receiving annuity payments for a 10-year period, payments will continue to your beneficiary for the rest of the 10-year period. If you live beyond the 10-year period, you continue to receive payments, but with no further provision for payments to a beneficiary upon your death. **This feature cannot be combined with a joint life annuity.**

#### **Factors that Affect Amount of Annuity –**

- a. Your selected annuity option
- b. Your age when your annuity is purchased (and the age of your joint annuitant)
- c. The balance of your TSP account used to purchase your annuity
- d. Market interest rate levels when your annuity is purchased

**Caution: *Ensure you understand your options before you make a decision...you cannot change your election or terminate your annuity after it is purchased.***

## How will my TSP be Taxed?

TSP payments made directly to you are taxable income for Federal income tax purposes and are subject to withholding in the year in which payment is made. TSP does not withhold state, city, county, or other local income tax. For withholding purposes, there are three types of payments:

1) **eligible rollover distributions**; 2) **periodic payments**; and 3) **non-periodic payments**.  
Withholding differs for each type of payment.

TYPE OF PAYMENT	PAYMENT INCLUDES	TAX TREATMENT	NOTES
ELIGIBLE ROLLOVER DISTRIBUTION	<ul style="list-style-type: none"> <li>▪ One single payment</li> <li>▪ Automatic cashouts</li> <li>▪ Equal monthly payments lasting less than 10 years and not computed by TSP according to IRS life expectancy tables</li> <li>▪ Single payment after a series of monthly payments</li> <li>▪ Late contributions paid to your account after a complete withdrawal</li> <li>▪ Death benefits paid to a spouse</li> <li>▪ Payments to a spouse/former spouse under a court order or alimony order</li> </ul>	<p>Payments are subject to a mandatory 20% withholding, which cannot be waived.</p> <p>No withholding on payment of less than \$200 to a spouse or former spouse.</p>	<p>There is no withholding on eligible rollover distributions that are less than \$200 within one tax year.</p> <p><u>Early Withdrawal Penalty:</u> If you separate/retire before the year in which you become age 55, early withdrawal penalty tax of 10% on all amounts received before age 59 ½. Does not apply to:</p> <ul style="list-style-type: none"> <li>▪ Annuity payments</li> <li>▪ Death benefit payments</li> <li>▪ Payments made in compliance with court orders</li> <li>▪ Payments made to disability retirees</li> <li>▪ Equal payments computed by TSP according to IRS life expectancy tables*</li> </ul>

TYPE OF PAYMENT	PAYMENT INCLUDES	TAX TREATMENT	NOTES
PERIODIC PAYMENTS	<ul style="list-style-type: none"> <li>• Monthly payments expected to be paid out over 10 years</li> <li>• Equal payments computed by TSP according to IRS life expectancy tables</li> <li>• Payments from an annuity purchased by TSP</li> </ul>	<p>Withholding is based on the assumption you are married claiming three exemptions. You may submit Form W-4P to:</p> <ul style="list-style-type: none"> <li>• Elect no Federal income tax withholding</li> <li>• Have Federal income tax based on different allowances and marital status</li> <li>• Have an additional amount withheld</li> </ul>	<p>Send W-4P, Withholding Certificate for Pension or Annuity Payments, to:</p> <p>National Finance Center TSP Service Office P.O. Box 61500 New Orleans, LA 70161-1500</p> <p>See note regarding early withdrawal penalty.</p>
NON-PERIODIC PAYMENTS	<ul style="list-style-type: none"> <li>• Minimum distribution payments (required at age 70 ½)</li> <li>• Death benefits paid to someone other than the spouse</li> <li>• Child support payments or court-ordered payments to someone other than the spouse/former spouse</li> </ul>	<p>Federal income tax withholding is 10% on these payments. You may submit W-4P to elect:</p> <ul style="list-style-type: none"> <li>• No Federal income tax withholding</li> <li>• An additional withholding over and above the 10% automatic withholding</li> </ul>	<p>To elect no income tax, or additional withholding, send W-4P to address above.</p> <p>Amounts paid as a minimum distribution on/after age 70 1/2 may not be transferred or rolled over to another IRA or qualified pension plan.</p>

\*If you change from such payments to a final single payment, either before you become age 59 ½ or within five years of the date of the first payment, whichever is later, you will be liable for the penalty tax on ALL payments received before age 59 ½.

## **HOW IS TSP CHANGING**

# SOCIAL SECURITY BENEFITS

## Qualifying for Social Security

To qualify for benefits, you must have at least 40 credits of Social Security coverage (10 years). Before 1978, a quarter of coverage was any calendar quarter in which you were paid at least \$50 in wages for work covered by Social Security. Beginning in 1978, for each specific dollar amount you earned, you were credited with a credit of coverage. For example, in 2003, for every \$890 in earnings, you receive one credit of coverage. The maximum number of credits for one year is four. The maximum taxable wage base for 2003 is \$87,000. Social Security deductions terminate when CSRS-Offset employees meet the maximum taxable wage base each year, however, the 6.2% will be payable into the CSRS retirement fund.

## Benefit Formula

The amount of your benefit is based on and influenced by several factors including such things as your age, type of benefit you are applying for, your earnings history, and your former employment history (for example, CSRS employees are not covered under Social Security). Your Social Security benefit is computed using a five step formula.

- Step 1** – Social Security earnings since 1951 are listed.
- Step 2** – Earnings are adjusted for changes in average wages. This is called indexing.
- Step 3** – Highest 35 years of earnings are selected. Non-covered service, such as CSRS, is reflected as zero earnings and are included in the high-35.
- Step 4** – The earnings for these years are totaled and divided by 420 (number of months in 35 years) to get the Average Indexed Monthly Earnings (AIME).
- Step 5** – A three level formula is applied to the AIME resulting in the Primary Insurance Amount (PIA) – monthly benefit payable:
  - Multiply the first \$606 of the AIME by 90%
  - Multiply the next \$3,653 of the AIME by 32%
  - Multiply any remaining amount by 15%.

You will receive “Your Social Security Statement” from the Social Security Administration each year three months before your birthday. “Your Social Security Statement” may also be ordered from the Social Security website at [www.ssa.gov](http://www.ssa.gov), you can call 1-800-772-1213, or you can stop by your local Social Security office and ask for a Form SSA-7004. This statement will reflect all of your career earnings and provide you with your estimated benefits. The statement will not reflect an accurate estimated benefit for CSRS employees because it does not account for the Windfall Elimination Provision (WEP).

## Social Security Retirement Age (Adjustment for Early or Late Retirement)

A fully insured worker (40 credits) may begin receiving benefits the month after he/she reaches age 62 (or on the first day of the month if he/she reaches age 62 on the first of the month). If benefits are received before the Normal Retirement Age, the benefit is permanently reduced. The Primary Insurance Amount is reduced by 5/9 of 1% (1/180) for each of the first 36 months under the Normal Retirement Age and by 5/12 of 1% (1/240) for each month in excess of 36.

Year of Birth	Normal Retirement Age (YR/MO)	Age 62	Age 63	Age 64	Age 65	Age 66	Age 67	Age 68	Age 69	Age 70
1924	65/0	.800	.867	.933	1.000	1.030	1.060	1.090	1.120	1.150
1925-26	65/0	.800	.867	.933	1.000	1.035	1.070	1.105	1.140	1.175
1927-28	65/0	.800	.867	.933	1.000	1.040	1.080	1.120	1.160	1.200
1929-30	65/0	.800	.867	.933	1.000	1.045	1.090	1.135	1.180	1.225
1931-32	65/0	.800	.867	.933	1.000	1.050	1.100	1.150	1.200	1.250
1933-34	65/0	.800	.867	.933	1.000	1.055	1.110	1.165	1.220	1.275
1935-36	65/0	.800	.867	.933	1.000	1.060	1.120	1.180	1.240	1.300
1937	65/0	.800	.867	.933	1.000	1.065	1.130	1.195	1.260	1.325
1938	65/2	.792	.856	.922	.989	1.054	1.119	1.184	1.249	1.314
1939	65/4	.783	.844	.911	.978	1.047	1.117	1.187	1.257	1.327
1940	65/6	.775	.833	.900	.967	1.035	1.105	1.175	1.245	1.315
1941	65/8	.767	.822	.889	.956	1.025	1.100	1.175	1.250	1.325
1942	65/10	.758	.811	.878	.944	1.012	1.087	1.162	1.237	1.312
1943-54	66/0	.750	.800	.867	.933	1.000	1.080	1.160	1.240	1.320
1955	66/2	.742	.792	.856	.922	.989	1.067	1.147	1.227	1.307
1956	66/4	.733	.783	.844	.911	.978	1.053	1.133	1.213	1.293
1957	66/6	.725	.775	.833	.900	.967	1.040	1.120	1.200	1.280
1958	66/8	.717	.767	.822	.889	.956	1.027	1.107	1.187	1.267
1959	66/10	.708	.758	.811	.878	.944	1.013	1.093	1.173	1.253
1960 & later	67/0	.700	.750	.800	.867	.933	1.000	1.080	1.160	1.240
<b>Example</b>	Born 1943									
	w/\$500 PIA	\$375	\$400	\$433	\$466	\$500	\$540	\$580	\$620	\$660
	w/\$692 PIA	\$519	\$554	\$600	\$646	\$692	\$747	\$803	\$858	\$913

## **When Should You Apply?**

You can begin receiving reduced benefits as early as age 62 if you have at least 40 credits. You can choose to begin receiving full benefits at age 65 (or, in some cases, later, i.e., workers born in 1938 must be age 65 and 2 months). The full retirement age will gradually increase to age 67 over the next several years. Social Security suggests that you apply approximately 3 months before you want your benefits to start. You apply for benefits through your local Social Security office. When you meet with Social Security, you should have your Social Security card, birth certificate, marriage certificate, and last two W-2s. If these documents are not available, Social Security can assist or advise you on how to obtain the missing documents.

## **Windfall Elimination Provision (WEP)**

The Windfall Elimination Provision (WEP) goes into effect when a Federal retiree has enough Social Security credits to be eligible for retirement or disability benefits and is also receiving a pension from a job where there were no Social Security taxes paid (CSRS). A modified formula may be used to figure the Social Security benefit amount. This modified formula will give you a lower Social Security benefit, but it will not affect the pension from the Federal government (CSRS). This reduction is known as the “windfall elimination provision”.

Before the law was changed in 1983, benefits for persons who spent time in jobs not covered by Social Security were computed as if they were long-term, low-wage workers. They received the advantage of the higher percentage benefits in addition to their other pension. The modified formula eliminates this windfall. Social Security benefits replace a percentage of a worker’s pre-retirement earnings. The formula used to compute benefits includes factors that ensure lower-paid workers get a higher return than highly paid workers.

You may receive both your full CSRS annuity and full Social Security benefits. However, the first level of the Social Security Formula (90%) which is used to calculate your Primary Insurance Amount (PIA) may be reduced.

The 90% factor used in computing your Social Security benefit is reduced in the modified formula. For those who reach 62, or become disabled in 1990 or later, the 90% factor may be reduced to 40%. There are exceptions to this rule. For example, the 90% factor is not reduced if you have 30 or more years of “substantial” earnings in a job where you paid Social Security taxes.

The following table lists the amount of earnings considered “substantial” for each year.

YEAR	EARNINGS	YEAR	EARNINGS
1937-50	\$900*	1985	\$7,425
1951-54	\$900	1986	\$7,875
1955-58	\$1,050	1987	\$8,175
1959-65	\$1,200	1988	\$8,400
1966-67	\$1,650	1989	\$8,925
1968-71	\$1,950	1990	\$9,525
1972	\$2,250	1991	\$9,900
1973	\$2,700	1992	\$10,350
1974	\$3,300	1993	\$10,725
1975	\$3,525	1994	\$11,250
1976	\$3,825	1995	\$11,325
1977	\$4,125	1996	\$11,625
1978	\$4,425	1997	\$12,150
1979-1980	\$4,725	1998	\$12,675
1981	\$5,500	1999	\$13,425
1982	\$6,075	2000	\$14,175
1983	\$6,675	2001	\$14,925
1984	\$7,050	2003	\$16,125

\* Total credited earnings from 1937-50 are divided by \$900 to get the number of years of coverage (maximum 14 years).

If you were eligible for either Social Security or another pension before January 1, 1986, the Windfall Elimination Provision will not apply. Additionally, regardless of when you become eligible for a CSRS annuity, if you have substantial Social Security coverage (30 or more years), this provision will not apply. For a year to count as a year of coverage for this purpose, you must have earnings under Social Security that meet or exceed a specific amount.

If you have 21 to 29 years of substantial earnings, the 90% factor is reduced to somewhere between 45% and 85%. The following table shows the percentage used depending on the number of years of “substantial” earnings.

Years of Substantial Earnings	Social Security Factor will be:
30 years or more	90%
29 years	85%
28 years	80%
27 years	75%
26 years	70%
25 years	65%
24 years	60%
23 years	55%
22 years	50%
21 years	45%
20 years or less	40%

## Government Pension Offset (GPO)

A Government Pension Offset (GPO) goes into effect when a Federal employee has an earned CSRS annuity, based on Federal employment not covered by Social Security, and the Federal employee is also eligible for an unearned Social Security benefit as the spouse of a Social Security worker. The GPO does not apply to the Social Security benefit based on an individual's own work record.

Your spousal benefits under Social Security may be reduced or eliminated as a result of you receiving a Government pension. Some employees may be exempt from the GPO under the following circumstances:

- An employee automatically covered by FERS (including CSRS-Offset). Those employees who transferred to FERS during the 1987 open season and/or belated open season before July 1, 1988, the GPO will not apply. Others who elected FERS must work 5 years under FERS to eliminate the GPO.
- If you were eligible to receive a government pension before December 1, 1982 for women, or January 1, 1977 for men, and met all of the requirements of Social Security Spousal benefits in effect in January 1977.
- If you were eligible to receive or were receiving a Government pension before July 1, 1983 and were receiving at least one-half support from your spouse.

If you are not exempt from the GPO, two thirds of your Government Pension will be subtracted (offset) from the unearned spouse's benefit under Social Security. The remainder, if any, will be payable as a Social Security spousal benefit.

**For example:** Jane, Federal employee, is eligible for a CSRS annuity (\$900 per month). Her husband is entitled to \$860 Social Security monthly benefit at age 65. If Jane has not earned her own Social Security benefit, she would ordinarily be entitled to one-half of her husband's benefit (\$860 x ½ = \$430 per month) as a spousal benefit. However, since Jane is receiving a CSRS

pension of \$900 per month and is not exempt from the GPO, two-thirds of the CSRS pension (\$600) will be offset against the \$430, thus eliminating her spousal benefit under Social Security. If her CSRS pension were only \$600 per month, two-thirds of that amount (\$400) would be subtracted from the \$430 spousal benefit under Social Security. Jane would be entitled to \$30 as a spousal benefit.

## **Do you plan to work after retirement?**

If you receive Social Security retirement or survivor benefits and you are still working, you can earn a substantial amount of money while receiving some benefits. However, your benefits will be reduced if you earn over certain limits.

If you are under age 65, you can earn up to \$11,520 (for 2003) with no reduction in your Social Security benefits. If you earn more than that, \$1 in benefits is withheld for every \$2 you earn over \$11,520.

If you are age 65 or older, the earnings limits no longer apply.

If you work for someone else, only your wages count toward Social Security's earnings limits. If you are self-employed, only your net earnings from self-employment count. In either case, non-work income such as investment earnings, interest, pensions, annuities, capital gains and other government benefits do not count as earnings.

# **SOCIAL SECURITY STATEMENT**

### REQUEST FOR CIVILIAN RETIREMENT BENEFITS ESTIMATE

Name: \_\_\_\_\_ SSN: \_\_\_\_\_ Routing Symbol: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Date of Retirement: \_\_\_\_\_  
(maximum of 3 dates)

Duty Phone: \_\_\_\_\_ Today's Date: \_\_\_\_\_ Retirement System: \_\_\_\_\_  
(CSRS, CSRS-Offset, FERS)

Employment Status: Regular employee \_\_\_\_ Air Traffic Controller \_\_\_\_ Federal Air Marshal \_\_\_\_

1. I request a civilian retirement benefits estimate based on the following information:

- |  | Yes            | No           | (Circle One)<br>N/A |
|--|----------------|--------------|---------------------|
| a. Survivor Benefits for Spouse?                                 |                |              |                     |
| b. Continued Health Insurance (FEHB)?                            |                |              |                     |
| c. Continued BASIC Life Insurance (FEGLI)?                       |                |              |                     |
| If yes, BASIC Life Insurance at:                                 | 75%            | 50%          | No Reduction        |
| 1) Continued Option A Standard Life Insurance?                   | Yes            | No           | N/A                 |
| 2) Continued Option B Additional Life Insurance?                 |                |              |                     |
| If yes, Option B at:   | Full Reduction | No Reduction |                     |
| 3) Continued Option C Family Life Insurance?                     |                |              |                     |
| If yes, Option C at:   | Full Reduction | No Reduction |                     |
| d. Include Active Duty Military Service?                         |                |              |                     |
| If yes, has post-56 military service deposit been made?          | Yes            | No           | N/A                 |
| e. If military retiree, combine military & civilian service?     | Yes            | No           | N/A                 |
| f. Any refunded civilian service?                                | Yes            | No           | N/A                 |
| If yes, amount of refund and dates of service covered by refund  | _____          |              |                     |
| g. Any temporary service, only paying into Social Security?      | Yes            | No           | N/A                 |
| If yes, have you paid a deposit?                                 | Yes            | No           | N/A                 |
| h. If CSRS or CSRS-Offset, balance of sick leave?                | _____          |              |                     |
| i. If FERS transferee, balance of sick leave upon FERS election? | _____          |              |                     |
| Current balance of sick leave?                                   | _____          |              |                     |

2. In addition to the estimate, I request information on the following topic(s) checked below:

- a. \_\_\_\_\_ Life insurance coverage/costs after retirement.
- b. \_\_\_\_\_ Post-56 military service deposit.
- c. \_\_\_\_\_ Making deposits/redeposits for nondeduction/refunded service.
- d. \_\_\_\_\_ Thrift Savings Plan.
- e. \_\_\_\_\_ CSRS-Offset recomputation at age 62.
- f. \_\_\_\_\_ Windfall Elimination Provision/Government Pension Offset.
- g. \_\_\_\_\_ Other (Please specify) \_\_\_\_\_

3. When estimate is ready (circle one): \_\_\_\_\_ Call me \_\_\_\_\_ Mail to me \_\_\_\_\_

# **FEDERAL RETIREMENT BENEFITS** **HANDBOOK**

# Information for Retirees

## **Commencement Date of Annuity:**

If you retire voluntarily under the Civil Service Retirement System (CSRS), you can set your retirement date for the first, second, or third day of the month, and your annuity begins to accrue the following day. For example, assuming your retirement is effective April 3, your annuity will begin to accrue April 4 to April 30, to be paid May 1. If you retire voluntarily on the fourth day or after, your annuity will not begin to accrue until the following month.

## **Annual Leave:**

You will receive a lump-sum payment for the balance of your annual leave at retirement. Payment is based on the rate of pay you are receiving at separation, however, if the law changes this rate while you are in the leave payment period, you will receive the higher rate. This often occurs when employees separate at the end of the leave year with large leave balances. If the annual pay raise becomes effective during the period of projected annual leave, you will receive the projected annual leave payment under the new rate.

Lump-sum annual leave payments are normally made within two pay periods after separation. These payments are considered income and are subject to federal and state taxes, as well as Medicare withholding. Employees covered by CSRS Offset or FERS will also be subject to Social Security withholding. In addition, consider the tax implications of this payment if you are retiring at the end of the year. A large lump-sum annual leave payment added to a full year of salary may result in a tax burden.

## **Leave Accruals:**

Leave is earned only during complete pay periods. Retiring on a day other than the last workday of the pay period will result in no leave accrual for that pay period.

## **Sick Leave Credit:**

Under CSRS, the total creditable civilian and military service combined with credit for sick leave, is used in computing the annuity payments. The total is then rounded down to include full years and full months (excluding the days). For example, an employee with 30 years, 6 months, 28 days of service can increase the total service to 30 years, 7 months by delaying the retirement date by two days (30 days equals one month). However, we advise that you consider all aspects closely, keeping in mind that the Office of Personnel Management (OPM) computes your official length of service. In most cases, one month of service increases your annuity by one-sixth of one percent of the high-three average salary.

## **Cost of Living Adjustments (COLA):**

For CSRS retirees, the first COLA is prorated by using the following formula:

$$\frac{\text{COLA rate}}{12} \times \text{Number of months on annuity roll} = \text{Prorated COLA}$$

**Federal Employees' Group Life Insurance (FEGLI):**

**Basic Insurance:** FEGLI coverage can be transferred into retirement if you have had coverage since the first opportunity to enroll or for five continuous years immediately preceding the date of your retirement. You must continue your Basic insurance in order to keep any of the Optional coverage. You have three choices for Basic FEGLI as a retiree:

- (1) **75% Reduction:** Cost before age 65 = \$.3250 per \$1,000 of Basic Insurance Amount (BIA); after age 65 = \$0. The amount of your insurance reduces 2% per month after age 65 to a minimum 25% of your BIA.
- (2) **50% Reduction:** Cost before age 65 = \$.9250 per \$1,000 of BIA; after age 65 = \$.60 per \$1,000. The amount of your insurance reduces 1% per month after age 65 to a minimum of 50% of your BIA.
- (3) **No Reduction:** Cost before age 65 = \$2.1550 per \$1,000 of BIA; after age 65 = \$1.83 per \$1,000. The amount of your insurance will equal 100% of your BIA and is retained after age 65.

**Optional Insurance:** You will pay the full cost to continue any of the following Optional FEGLI.

(A) **Standard Option A:** Effective at the end of the month after the month that you become age 65, this option will reduce by 2% of the pre-retirement amount per month until it reaches 25% of the pre-retirement amount. After age 65, no premiums are withheld.

(B) **Additional Option B:** You may elect either full reduction or no reduction. If you elect full reduction, until you reach age 65, premiums (based on age) will be withheld from your annuity at the same rate as active employees. After age 65, there is no cost, but the insurance value begins to reduce 2% per month until coverage is reduced to zero. If you elect no reduction, you will continue to pay premiums at the same rate as active employees and you will retain the full amount of your Option B Additional Insurance.

(C) **Family Option C:** You may elect either full reduction or no reduction. If you elect full reduction, until you reach age 65, premiums (based on age) will be withheld from your annuity at the same rate as active employees. After age 65, there is no cost, but the insurance value begins to reduce 2% per month until coverage is reduced to zero. If you elect no reduction, you will continue to pay premiums at the same rate as active employees and you will retain the full amount of your Option C Family insurance.

**Federal Employees Health Benefits (FEHB):**

Health insurance continues if you have been covered since first eligible or for five continuous years immediately prior to the date of your retirement. The cost will remain the same as if you were a current employee. You will still be entitled to the same privileges as a current employee in making changes during open season and other changes that occur. OPM will notify you of the open season periods. If you are not in receipt of cash benefits from Social Security, at age 65 you must register for Medicare by contacting your local Social Security office. During retirement, Medicare becomes the primary payer at age 65 and FEHB is secondary. Even though Medicare becomes primary, it may be to your benefit to keep your FEHB coverage. Your spouse is eligible to continue FEHB coverage after your death only if you have self and family coverage and you elect to provide a survivor annuity at the time of retirement.

**Thrift Savings Plan (TSP):**

If you are enrolled in TSP when you retire, you will be given information about the options available. Your options include withdrawing all of your money in a lump sum; elect equal payments; elect an annuity; roll the money over into an IRA; or leaving the money in your TSP account. Upon your retirement, forms will be given to you, on which you should indicate your decisions. If you decide to leave your money in the account, you can no longer make contributions, but your account will continue to draw interest. However, you will need to begin receiving payments by a certain date, which is April 1 of the year following the year in which you turn age 70 1/2. At that time, you must begin receiving payments from your TSP account. Ensure that the TSP Service Office always has your current address. You will still receive your Participant Statement, which will provide account information and fund performance. There are other changes coming to the TSP program, such as the mixed withdrawal options, which will be available when the new computer system is in place. Read the TSP Highlights for up-to-date information.

**Processing Your Retirement Application:**

Upon completion of your retirement application, your servicing HRMD will review your application, verify your service record, and forward the package to the Federal Aviation Administration Payroll Office in Oklahoma City, Oklahoma. This office will update your payroll and retirement history records and forward the package for processing to the Office of Personnel Management (OPM). Generally, the package should be forwarded to OPM within 30 days of your retirement date.

The OPM Retirement Operations Center, located in Boyers, PA will review the application package and create a retirement file. If your entitlement to an annuity is clearly evident, OPM will authorize recurring interim annuity payments to provide you with income while your claim is adjudicated. CSRS interim payments are generally authorized within 8 to 10 days of receipt by OPM. You should receive your first interim payment approximately 6 to 8 weeks after OPM receives the retirement package. During this interim pay period, no deductions will be taken for health or life insurance. The interim payment schedule will continue until all records have been verified by OPM. At that time, you will receive a full annuity check including any back pay lost during the interim pay cycle minus FEHB, FEGLI, and other appropriate deductions.

You will be assigned a Civil Service Annuity (CSA) number by OPM. You must use this number when corresponding with or calling OPM. You will also receive a booklet entitled "Your Federal Retirement Benefits." This booklet will provide you with an explanation of your retirement benefits and elections such as direct deposit account information, election of survivor benefits, election of life insurance, and other important information.

**Permanent Address:**

Many people move after retirement. When completing the retirement application, use your permanent retirement address. The address listed on your retirement application is the only one that OPM will use to contact you, to include your interim annuity payments.

**Direct Deposit:**

When your records are transferred to OPM, current allotments and direct deposits will stop. It is strongly encouraged to receive your annuity payments through electronic funds transfer. A Direct Deposit sign-up Form (SF 1199A) or RI 38-128 may be completed and sent to OPM with your retirement package. If you choose not to receive your checks through direct deposit, you may request in writing, to have your payments mailed to you in the form of a check.

**Tax Withholding:**

OPM has agreements with the following states to allow the withholding of state income taxes from annuity payments. OPM will send you additional information on making arrangements to have state taxes withheld.

Arkansas	Arizona	California	Colorado	Connecticut
Delaware	D.C.	Georgia	Idaho	Indiana
Iowa	Louisiana	Maine	Maryland	Michigan
Minnesota	Mississippi	Missouri	Montana	Nebraska
New Jersey	New Mexico	North Carolina	North Dakota	Ohio
Oklahoma	Oregon	Rhode Island	South Carolina	Utah
Vermont	Virginia	West Virginia	Wisconsin	

Federal income tax will be withheld unless you elect not to have withholding apply. OPM will provide you a W-4P-A form to make your election after they receive your retirement package. OPM will also send you instructions on how to start, change, or stop your Federal income tax withholding using their toll-free automated telephone system. If you choose not to complete and return this form to OPM, your deductions will be withheld as though you are married with three withholding allowances.

Information about the taxation of your annuity is explained in IRS Publication 721, which may be obtained free by calling 1-800-TAX-FORM or using the web at [http://www.irs.gov/form\\_pubs/pubs.html](http://www.irs.gov/form_pubs/pubs.html).

**Contacting OPM:**

Once you receive your CSA claim number, you may contact OPM from 7:30 am to 5:30 pm, Monday through Friday, to report a change of address, non-receipt of payment, FEHB changes, verification of income requests, or changes in electronic fund transfer accounts. Customers who live within local calling distance of Washington, DC must call (202) 606-0500; all others may call the Retirement Information Office (RIO) at 1-888-767-6738. Callers using TDD should call 1-800-878-5707. Correspondence should be sent to: U.S. Office of Personnel Management, Retirement Operations Center, Post Office Box 45, Boyers, PA 16017-0045. You can also email OPM at [retire@opm.gov](mailto:retire@opm.gov).

To use the automated phone system features, you will need your CSA number and your Personal Identification Number (PIN). After OPM processes your retirement, they will send you a PIN. You can also obtain a PIN by calling a Customer Service Specialist, who will arrange to have one mailed to you.

# INFORMATION/RESOURCES

## EMPLOYEE EXPRESS

- (800) 827-6289
- (478) 757-3030 (Help Desk)
- <http://www.employeeexpress.gov> (Internet Address)

## OFFICE OF PERSONNEL MANAGEMENT (OPM)

- (202) 606-0500 (Washington, D.C.)
- (888) 767-6738 (Free 800 #)
- (724) 794-2005 (Boyers, PA)
- (800) 409-6528 (Annuitant Express; Need CSA# to access)
- <http://www.opm.gov> and <http://www.opm.gov/forms> (Internet Addresses)
- <http://www.seniors.gov/fedcalc.html> (Retirement Estimates)

## SOCIAL SECURITY ADMINISTRATION (SSA)

- (800) 772-1213
- <http://www.ssa.gov> (Internet Address)

## INTERNAL REVENUE SERVICE (IRS)

- (800) 829-4477 (24-Hour Recorded Tax Help)
- (800) 829-1040 (Other Federal Tax Questions)
- (800) 829-3679 (Forms)
- <http://www.irs.gov> and <http://www.irs.gov/forms> (Internet Address)

## THRIFT SAVINGS PLAN (TSP)

- (504) 255-6000
- (504) 255-8777 (24-Hour Automated Voice Response System)
- (504) 255-5113 (Tex Telephone for Hearing-Impaired Participants)

## WHAT'S NEW

- <http://lifelinks.faa.gov>
- <http://www.finance.gsa.gov/csrs>
- <http://www.ltcfed.com>
- (800) 582-3337 – Long Term Care Partners (8:00AM to 8:00PM eastern time)

# **APPLICATION FOR IMMEDIATE RETIREMENT**